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Performance-Based College Financing Systems Often Die Young, Researchers Say

By PETER SCHMIDT

Schemes for tying state support of public colleges to performance tend to share the same flaw: They are vulnerable to dying off before they can show how well they perform.

Such was the consensus among several experts on state higher-education policy who took part in a panel discussion of performance-based financing systems today at the annual conference of the American Educational Research Association.

Of 26 states that have adopted performance-based college financing systems since 1979, 12 have scrapped them, according to one of the papers presented here. Of the remaining 14 states, two others—Colorado and New Mexico—still technically have such systems in place but no longer use them to allocate funds. Two other states—Virginia and Washington—have created and then ditched performance-based financing systems, only to establish new ones down the road, according to the paper, by Kevin J. Dougherty, an associate professor of higher education at Columbia University’s Teachers College, and Rebecca S. Natow, a doctoral student at Columbia.

The panel discussion’s moderator, Patrick M. Callan, president of the National Center for Public Policy and Higher Education, said performance-based financing has such a troubled history that one might ask, “Why are we bothering with this?”

At the same time, Mr. Callan said, “it does not go away.” Indeed, the paper by Mr. Dougherty and Ms. Natow says the nation has recently entered a period of renewed interest in such financing systems, with a number of prominent higher-education commissioners and researchers calling for efforts to hold public colleges accountable and additional states considering the adoption of new performance-based financing systems.

Why don’t such systems stick around? To answer that question, Mr. Dougherty and Ms. Natow undertook in-depth examinations of the experiences that Florida, Illinois, and Washington State have had with such systems. In all three states, they found that such systems had little buy-in from public colleges and were vulnerable to shifting political winds that caused the lawmakers or board members who championed them to lose power. In Florida and Illinois, the systems had little support from business interests, and the systems went by the wayside when overall state spending on higher education dropped.

The authors suggest that advocates of performance-based financing need to find ways to insulate it from ups and downs in the state revenue cycle and to better secure the support of key politicians.

In a separate study, William M. Zumeta, a professor of public affairs and education at the University of Washington, and Alicia Kinne, a graduate student at Washington, reached similar conclusions based on an examination of Virginia’s and Washington State’s efforts to tie the financing of public colleges to certain state goals and expectations.

The systems they studied are still in place, but, the researchers said, it remains an open question whether they will endure.